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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

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FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: J. M. Lummis Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

50 Locust Avenue

(No. and Street)

New Canaan

CT

06840

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Susan A. Galione

(203)-966-0005

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Reynolds & Rowella, LLP

(Name - if individual, state last, first, middle name)

51 Locust Avenue

New Canaan

CT

06840

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

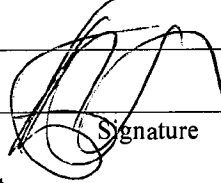
SEC 1410 (06-02)

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## OATH OR AFFIRMATION

I, David Lummis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of J. M. Lummis Securities, Inc., as of December 31, 20 16, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

President

Title

  
Notary Public Expiration: 11/30/2017

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**J.M. Lummis Securities, Inc.**  
**Index to Financial Statements**  
**December 31, 2016**

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**REYNOLDS + ROWELLA**  
ACCOUNTING AND CONSULTING

**Report of Independent Registered Public Accounting Firm**

To the Shareholder  
of J.M. Lummis Securities, Inc.  
New Canaan, Connecticut

We have audited the accompanying statement of financial condition of J.M. Lummis Securities, Inc. (the "Company") as of December 31, 2016, and the related statements of operations, changes in shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of J.M. Lummis Securities, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplemental information contained on pages 10-12 has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

  
Reynolds & Rowella, LLP

New Canaan, Connecticut  
February 13, 2017

**J.M. Lummis Securities, Inc.**  
**Statement of Financial Condition**  
**As of December 31, 2016**

<b>Assets</b>		
Cash and cash equivalents		\$ 130,422
Due from clearing organization		101,026
Prepaid expense		1,050
Accounts receivable		253
<b>Total Assets</b>		<b>\$ 232,751</b>
<b>Liabilities and Shareholder's Equity</b>		
Accounts payable and accrued expenses		\$ 10,183
<b>Total Liabilities</b>		<b>10,183</b>
<b>Shareholder's Equity</b>		
Common stock, no par value		
20,000 shares authorized, 100 shares issued and outstanding		20,000
Additional paid-in capital		419,620
Retained deficit		(217,052)
<b>Total Shareholder's Equity</b>		<b>222,568</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>\$ 232,751</b>

See accompanying notes to financial statements.

**J.M. Lummis Securities, Inc.**  
**Statement of Operations**  
**For the Year Ended December 31, 2016**

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<b>Revenues</b>	
Bond and money market commissions	\$ 112,492
<b>Total Revenues</b>	<b>112,492</b>
<b>Operating Expenses</b>	
Allocated expenses (Note 2)	129,000
Professional Fees	21,675
Transaction fees	12,608
Other	8,368
<b>Total Operating Expenses</b>	<b>171,651</b>
<b>Net Loss</b>	<b>\$ (59,159)</b>

See accompanying notes to financial statements.

**J.M. Lummis Securities, Inc.**  
**Statement of Changes in Shareholder's Equity**  
**For the Year Ended December 31, 2016**

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-in Capital	Deficit	Shareholder's Equity
Beginning Balance, January 1, 2016	100	\$ 20,000	\$ 359,620	\$ (157,893)	\$ 221,727
Contributions	-	-	60,000	-	60,000
Net Loss	-	-	-	(59,159)	(59,159)
Ending Balance, December 31, 2016	100	\$ 20,000	\$ 419,620	\$ (217,052)	\$ 222,568

See accompanying notes to financial statements.

**J.M. Lummis Securities, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

<b>Operating Activities</b>		
Net Loss	\$	(59,159)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Due from clearing organization		(434)
Due from parent		568
Prepaid expense		(398)
Accounts receivable		(253)
Accounts payable and accrued expenses		(9,119)
Net Cash Used in Operating Activities		(68,795)
<b>Financing Activities</b>		
Contributions		60,000
Net Cash Provided by Financing Activities		60,000
<b>Net Change in Cash and Cash Equivalents</b>		<b>(8,795)</b>
Cash and Cash Equivalents at Beginning of Year		139,217
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$</b>	<b>130,422</b>

See accompanying notes to financial statements.



**J.M. Lummis Securities, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

**1. Nature of Operations and Summary of Significant Accounting Policies**

Nature of Operations

J.M. Lummis Securities, Inc. (the "Company"), was incorporated on June 19, 1997 and is a wholly-owned subsidiary of J.M. Lummis and Company, Inc. (the "Parent"). The Company is a broker dealer registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA").

The Company's operations consist primarily of brokering corporate bonds and money market instruments.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

The Company records commissions when earned which is generally on the date the trade closes.

Cash and Cash Equivalents

The Company has defined cash equivalents as highly liquid investments, with original maturities of three months or less.

Due from Clearing Organization

Due from clearing organization primarily represents cash held on deposit at a clearing organization to facilitate settlement and clearance of matched principal transactions and spreads on matched principal transactions that have not yet been remitted from/to the clearing organization. Included in due from clearing organization is a \$100,000 required deposit.

Accounts Receivable

Accounts receivable includes commissions which represent amounts due from other broker dealers for the execution of brokering transactions.

Accounts receivable are carried at the original amount less an estimate made for the allowance for doubtful accounts based on a review of outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering the customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as a reduction to bad debt expense when received. At December 31, 2016 there was no allowance for doubtful accounts.

**J.M. Lummis Securities, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

Federal and State Income Taxes

The Company files a consolidated Federal income tax return with its Parent and combined State and local tax returns. The Parent has elected under the Internal Revenue Code to be taxed as an S Corporation. All Federal and Connecticut State taxes owed by the Company will be the responsibility of the Parent or its shareholder. Based upon various apportionment rules and State and city income tax laws, the Company may be responsible for income taxes in States in which the Company does business. At December 31, 2016 no taxes were owed.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements. The Company's 2013 through 2016 tax years are open for examination by Federal, State and local tax authorities.

Concentration of Credit Risk

The Company maintains its cash balances in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

Use of Estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Related Party Transactions**

The Company has entered into an Expense Sharing Agreement (the "Agreement") with the Parent because the Company and the Parent use all of the same vendors and the Parent processes all of the Company's vendor payments. These shared expenses include telephone, Bloomberg, information technology, insurance, office equipment and office expense. In addition, the Company shares office space with the Parent. The Company paid the Parent \$2,500 per month for these expenses through 2016. The Company paid \$10,000 per month for salaries through the first 3 quarters of 2016. The Expense Agreement was changed in the 4<sup>th</sup> quarter to \$3,000 per month to reflect the current environment. In total, the Company was charged and thus paid to the Parent \$129,000 during 2016 under this Agreement. No amounts were owed to the Parent at December 31, 2016.

The Company did not declare or pay a dividend to the Parent during the year ending December 31, 2016.

**J.M. Lummis Securities, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

**3. Net Capital and Aggregate Indebtedness Requirement**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1 (SEC rule 15c3-1), which requires the Company to maintain a minimum net capital balance and a ratio of aggregated indebtedness to net capital not exceeding 15 to 1.

At December 31, 2016, the Company's net capital balance as defined by SEC Rule 15c3-1 was \$221,518, which exceeded the minimum requirement of \$5,000. At December 31, 2016, the Company's aggregate indebtedness to net capital as defined by SEC Rule 15c3-1 was .046 to 1.0.

**4. Rule 15c3-3 Exemption**

The Company is exempt from the provisions of Part 240 Rule 15c3-3 of the Securities Exchange Act of 1934 (SEC Rule 15c3-3) under paragraph (k)(2)(ii) in that the Company, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements, as are customarily made and kept by a clearing broker or dealer.

**5. Off Balance Sheet Risk**

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to a clearing organization on a fully-disclosed basis. Therefore, all of the customers' account balances and long and short security positions are carried on the books of the clearing organization. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing organization for losses, if any, which the clearing organization may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing organization monitor collateral on the customers' accounts.

## **Supplemental Information**

**J.M. Lummis Securities, Inc.**  
**Schedule I: Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities Exchange Act of 1934**  
**As of December 31, 2016**

<b>Total Shareholder's Equity Qualified for Net Capital</b>	<b>\$ 222,568</b>
Deductions:	
Less non allowable assets:	
Cash- central depository registration	1,050
<b>Net Capital</b>	<b>\$ 221,518</b>
Computation of Basic Net Capital Requirement	
Minimum net capital required (greater of 6 2/3% of aggregate indebtedness or \$5,000)	5,000
<b>Excess Net Capital</b>	<b>\$ 216,518</b>
<b>Excess Net Capital at 1,000 Percent</b>	<b>\$ 215,518</b>
<b>Note:</b> There are no material differences between the preceding computation and the Company's corresponding unaudited Part II of Form X-17A-5 as of December 31, 2016.	

**J.M. Lummis Securities, Inc.**  
**Schedule II: Computation of Aggregate Indebtedness**  
**As of December 31, 2016**

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**Computation of Aggregate Indebtedness**

Accounts payable and accrued expenses	\$ 10,183
Total liabilities	<u>\$ 10,183</u>
Ratio of aggregate indebtedness to net capital	<u>0.046 to 1.0</u>

**J.M. Lummis Securities, Inc.**  
**Schedule III: Computation for Determination of Reserve Requirements**  
**and Information Relating to Possession or Control Requirements**  
**Pursuant to SEC Rule 15c3-3**  
**As of December 31, 2016**

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The Company claims exemption from the requirements of SEC Rule 15c3-3 under paragraph (k)(2)(ii) wherein the Company clears all customer transactions through another broker-dealer on a fully disclosed basis.